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INTELLIGENCE COMMUNITY STAFF

2 September 1976

NOTE FOR: D/OPEI

Fritz:

Admiral Murphy is extremely concerned about technology transfer.

Hope you have someone looking into it.

How about letting me know where we stand on it. a short memo for ADM M would be useful. Thanks.

25X1

[redacted] USN
Executive Assistant

Atts.

cc: AD/DCI/IC and EO/ICS

INFORMATION

OSD HAS NO OBJECTION TO DELASSIFICATION AND RELEASE.

OSD review(s) completed.

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15SEP 1976

IC 76-2387

MEMORANDUM FOR: Deputy to the DCI for the Intelligence Community

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FROM: [redacted]
Chief, Production Assessment and Improvement Division

VIA: Director of Performance Evaluation and Improvement

SUBJECT: Intelligence Community Effort on Technology Transfer

1. The Intelligence Community provides a wide range of support to the Departments of Commerce, State, and Treasury, the major agencies charged with the control of the export of US technology. The attached documents provide brief descriptions of (1) the pertinent bureaucratic elements which are responsible for the administration of US export policy (TAB A); (2) the organizations responsible for the administration of classified technology and visitor control, counterintelligence and internal security (TAB B); and (3) the organizations charged with the review and assessment of US exchanges and contacts (TAB C). A maze of formal and informal contacts exists among the active players responsible for monitoring technology transfer and the appropriate elements of the Intelligence Community, primarily the DCI committees following economic intelligence (EIC), exchanges (COMEX), and scientific and technical intelligence (STIC), the NIOs for Economics and USSR/Eastern Europe, CIA's Offices of Scientific Intelligence and Economic Research, DIA, State/INR, and technical analysis components of the three services.

2. The survey we are currently undertaking for the NSC semiannual review indicates that the various users of technology transfer intelligence are generally satisfied with Intelligence Community support. The Community disseminates background information on the consignees of US technology and the stated and likely uses of the technology. A significant portion of the Community's effort is in the form of brief assessments of the USSR's

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E 2 IMPDET CL B [redacted]

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technological base in those areas where sales are being negotiated. Lengthy, more formal studies have also been produced on the economic impact on the USSR of technological transfer and on the possible upgrading of Soviet military capabilities by the transfer of specific technologies.

3. Most of the users are satisfied with the lines of communication between themselves and the Intelligence Community. The specific areas cited for increased attention in intelligence production, however, have included the capability of the USSR to assimilate Western technology, additional "case studies" on the military implications of technology transfer, and further information on the actual application of exported high technologies.

4. The subject of technology transfer is being given increased attention by all organizations concerned. To cite a few examples, the Department of Commerce is now completing a study on the effectiveness of the US export control compliance program (with a sizeable intelligence discussion), CIA's Office of Economic Research has detailed an individual to Commerce to study in depth that Department's specific needs and how to satisfy them effectively, and the DCI's Scientific and Technical Advisory Panel is looking into the general area of technology transfer and the Community's efforts relating to the many aspects of the problem.

5. Currently, major stumbling blocks for the Community to tackle a comprehensive integrated analysis of the technology transfer issue include (1) the dearth of intelligence information on the "political sociology" of technology absorption into the Soviet economy, (2) the need for a comprehensive reexamination of the Soviet economy itself, (3) the inadequate data base to implement such a review, and (4) the inevitable conflict between the views of the participating Intelligence Community organizations and the policy positions of various agencies; for example, the conservative views of DoD and the more liberal trade policies of the State and Commerce Departments. Indeed, the Community has been unable to reach agreement on such fundamental questions as the degree of importance the USSR places on the acquisition of Western technology.

6. We will keep you informed of the findings of the Community studies as they are completed.

[redacted]

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Attachments:
TABS A, B, and C

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Administration of US Export Policy

The Departments of Commerce, State, and Treasury are the major agencies charged with control of the export of US technology.*

I. The Department of Commerce

A. The basic legislation is the Export Administration Act of 1969, as amended and extended, which authorizes control of US exports for three purposes--national security, foreign policy, and domestic short supply. Under Executive Order, the Act is administered by the Secretary of Commerce (or the Assistant Secretary of Commerce for Domestic and International Business acting on the Secretary's behalf).

In controversial cases affecting U.S. national security, the Secretary does not normally take action until agreement has been reached in interagency advisory committees (the committee structure fulfills legislative requirements for interdepartmental consultation by the administrator) or until a Presidential decision has been handed down. The required consultation is carried on in three committees: 1/ (See diagram illustrating interagency coordination of the mechanisms to control/monitor East-West trade.)

1. The Export Advisory Review Board (EARB), established by Executive Order, consists of the Secretaries of State, Defense, and Commerce (Chairman). The Board may invite heads of other agencies to participate as needed. The EARB meets to deliberate on, or to resolve major policy issues relating to US export controls. The Secretary of Commerce shall refer to the Board, upon request of any US Government agency, differences in the lower committees, extraordinary cases, and other export license matters. Differences in the Board may be appealed to the President.

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* The so-called Jackson amendment to S. 3792 (which amended and extended the Export Administration Act of 1969), however, gives the Secretary of Defense broad powers to determine whether the export of goods and technology will increase significantly the military capability of any Communist country and, if so, to recommend to the President that the export be disapproved. If the President overrules the recommendation of the Secretary of Defense, that fact must be reported to the Congress.

1/ Interagency clearance of a good many cases is obtained on a bilateral basis. The more important and controversial cases are referred to the Advisory Committee on Export Policy structure.

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2. The Advisory Committee on Export Policy (ACEP) is chaired by the Assistant Secretary of Commerce for Domestic and International Business; other members include Assistant/Deputy Assistant Secretaries from State, Defense, Agriculture, AEC, Interior, Treasury, Transportation, NASA, and OEP. CIA attends in an advisory capacity only but takes a position on some intelligence related items, e.g., certain communications equipment. CIA is represented by its Director of Economic Research. The voting members may concur in, reserve, or disagree with the decision of the Chairman. Dissenting agencies may appeal to the EARB. ACEP usually meets only two or three times a year, and matters are sometimes cleared without formal meetings.

The President has delegated to the Secretary of Commerce the power and authority provided by the Export Administration Act of 1969, as amended and extended. In turn, the ACEP Chairman has been delegated general policy supervision over the administration of the export control program. Accordingly, the ACEP structure provides advice on virtually all aspects of the program. Specifically, ACEP makes determinations concerning:

a. US export control policy objectives;

b. Strategic rating methods, criteria, licensing policies, listing and delisting of commodities and related technical data;

c. Export policies relating to particular countries and areas, or to particular commodities;

d. Short supply export quotas;

e. Issuing of licenses in controversial or important cases;

f. All other export control problems such as relations with other agencies having special export responsibilities (AEC, Agriculture, Treasury, State's Office of Munitions Control, and EDAC) and appeals from its subcommittees, the Operating Committee.

3. The Operating Committee (OC) is the standing subcommittee of ACEP, with the same agencies represented at the senior staff level, and with the same frames of reference. Its chairman is the executive secretary of ACEP and of EARB. OC recommendations are subject to the review and approval of the Deputy Assistant Secretary of Commerce for East-West Trade. CIA is represented on the OC by members of the Trade Controls Staff.

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The OC usually meets weekly, departing from the schedule only as its workload dictates. In 1973, it handled about 450 matters including short supply determinations, additions to or deletions from requirements for validated licenses, licensing cases, and policy deliberations.

B. ACEP-OC Operation; the Licensing System of the Department of Commerce

1. All exports of commodities or technical data from the US that are not under the specific export control authority of another US Government department or agency come under the export control jurisdiction of Commerce. Depending on the strategic rating and destination, commodities and technical data are authorized by Commerce for export under either of the following:

a. General License - The General License is a broad authorization established by Commerce to permit certain exports under specified conditions. Exports under general license, which applies to the vast majority of commodities, may be made without filing an application or getting a specific license.

b. Validated License - The Validated License is a formal document issued to an exporter by the Department on the basis of his detailed application to the Department of Commerce. Applications may be licensed, denied or returned without action. A validated license authorizes export of commodities or technical data within the specific limitations of the document. Many items which require a validated license also require formal interagency coordination in the OC. To avoid overwhelming the OC, however, the ACEP delegates to OEA-BEWT/Commerce authority to approve some cases without formal interagency coordination. In some instances, bilateral clearances are required and/or certain conditions are imposed.

2. To learn what kind of a license is required to export a particular commodity or data to a specific destination, the exporter must consult the Department of Commerce's Comprehensive Export Schedule. The Commodity Control List contained in this schedule provides license requirements for all commodities. Other regulations in the schedule provide license requirements for the related technical data. In many cases involving items under COCOM control, neither the applicant nor Commerce can determine in advance if the application will be granted or denied inasmuch as approval depends on a careful review of each proposed transaction on its merits.

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C. Technical Advisory Committee Activities

1. The government-industry Technical Advisory Committees (TAC), established by the Department of Commerce pursuant to section 5(c) of the Export Administration Act of 1969, as amended, are made up of representatives from industry including scientists, engineers and other eminently-qualified personnel, and high-level government technical experts.

2. Seven TAC's have been established to provide advice on Computer Systems; Telecommunications Equipment; Numerically Controlled Machine Tools; Semiconductors; Semiconductor Manufacturing and Test equipment; Computer Peripherals, Components and Related Test Equipment; and Electronic Instrumentation. These committees have been meeting at least once every three months and some have formed subgroups to deal with specific problem areas.

3. The principal recent work of each TAC has been to provide the Department of Commerce with technical information and advice in formulating the government's positions in regard to forthcoming COCOM list reviews. In this connection, the committees have been:

a. identifying commodities produced in non-COCOM Western and Eastern Europe that are equivalent to those produced in the United States;

b. providing technical information enabling the Department to judge whether certain commodities meet established strategic criteria;

c. identifying military and civilian use of certain types of equipment under export controls; and

d. offering conclusions and recommendations as to desirable courses of action.

II. The Department of State

A. The Department of State's Bureau of Economic and Business Affairs chairs the Economic Defense Advisory Committee (EDAC) through which the Department secures the advice of other government agencies in carrying out its responsibilities under the Mutual Defense Assistance Control Act of 1951 (Battle Act) to develop US positions in COCOM. There are two Working Groups:

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Working Group I deals with COCOM List Review matters and individual export cases;

Working Group II deals with COCOM compliance and enforcement.

Matters that cannot be resolved at the working level are referred to the EDAC Executive Committee.

B. The Office of Munitions Control of the Department of State has replaced what was formerly known as the Munitions Control Board. While this office solicits interagency (DoD, AEC, Commerce, NASA, Treasury) opinions on matters relating to the export of military and related equipment, interagency meetings are held only in critical or unusual cases. The Department of State publishes the International Traffic in Arms Regulations (ITAR) which set forth US policy on the export of munitions.

C. The State/Commerce Working Group coordinates US Government interests in the technical exchange agreements under Article IV of the 1972 US-USSR S&T Agreement between private US firms, the Soviet State Committee for Science and Technology, and other Soviet technical ministries. Concern has been expressed that from the aggregate of these close arrangements a net undesirable technical drain from the US might occur without significant reciprocal information or trade developments. The Working Group was formed to consider the implications of these developments and to decide what, if any remedial actions should be taken through government action.

III. The Department of the Treasury

A. The Department of the Treasury is concerned that the international cooperation agreements to which the US is a party shall be implemented constructively and in an orderly manner consistent with our national security interests. The Long-Term Agreement between the US and the USSR to facilitate Economic, Industrial, and Technical cooperation which was signed by President Nixon in Moscow on 29 June 1974, contains new and very broad undertakings aimed at encouraging the longer term expansion and more balanced growth of trade.

B. The Secretary of the Treasury is Chairman of the US Section of the Joint US-USSR Commercial Commission set up in May 1972. The Commission reviews the spectrum of US-Soviet commercial relations and examines possible US-USSR joint projects. The Commission will oversee the operation of the Agreement on Trade concluded by the United States and the Soviet Union on 18 October 1972, when the Agreement enters into force. The Commission will also monitor the practical implementation of the Long-Term Agreement to Facilitate Economic, Industrial, and Technical Cooperation which was signed by President Nixon in Moscow on 29 June 1974. The Under Secretary of the Treasury for Monetary Affairs is a member of the Joint Commissions we have established with Poland and Romania.

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C. President's Committee on East-West Trade Policy/East-West Foreign Trade Board. A proposed Executive Order would transform the President's Committee on East-West Trade Policy into the East-West Foreign Trade Board. The Secretary of Agriculture and the Chairman of the Export-Import Bank would become members of the Board, in addition to all the present members of the Committee. The Secretary of the Treasury would be the Chairman of the Board and the Assistant to the President for Economic Affairs would be its Deputy Chairman. The Board would perform the functions previously performed by the President's Committee on East-West Trade Policy and, in addition, shall monitor trade between persons and agencies of the United States Government and nonmarket economy countries or instrumentalities thereof to insure that such trade will be in the United States' national interest, and shall perform such other functions and duties as are required by Section 411 of the Trade Act of 1974. The Secretary of the Treasury, as Chairman, would be responsible for transmission to the Congress of such reports by the Board as are required to be submitted to Congress under the Act.

D. In addition, the Treasury is responsible for administering the Foreign Assets Control regulations. These continue to apply inter alia to Chinese assets held in this country, pending eventual conclusion of an overall claims settlement with the PRC.

IV. The Ad Hoc Intelligence Group on Exchanges

The IGE, which functions under direction of the US Intelligence Board, has no role in the administration of US export policy. The opinion of IGE members is occasionally sought, however, through the IGE Secretariat on specific commercial contacts between the US and the USSR or East European countries. These opinions can be supportive or critical of commercial contacts.

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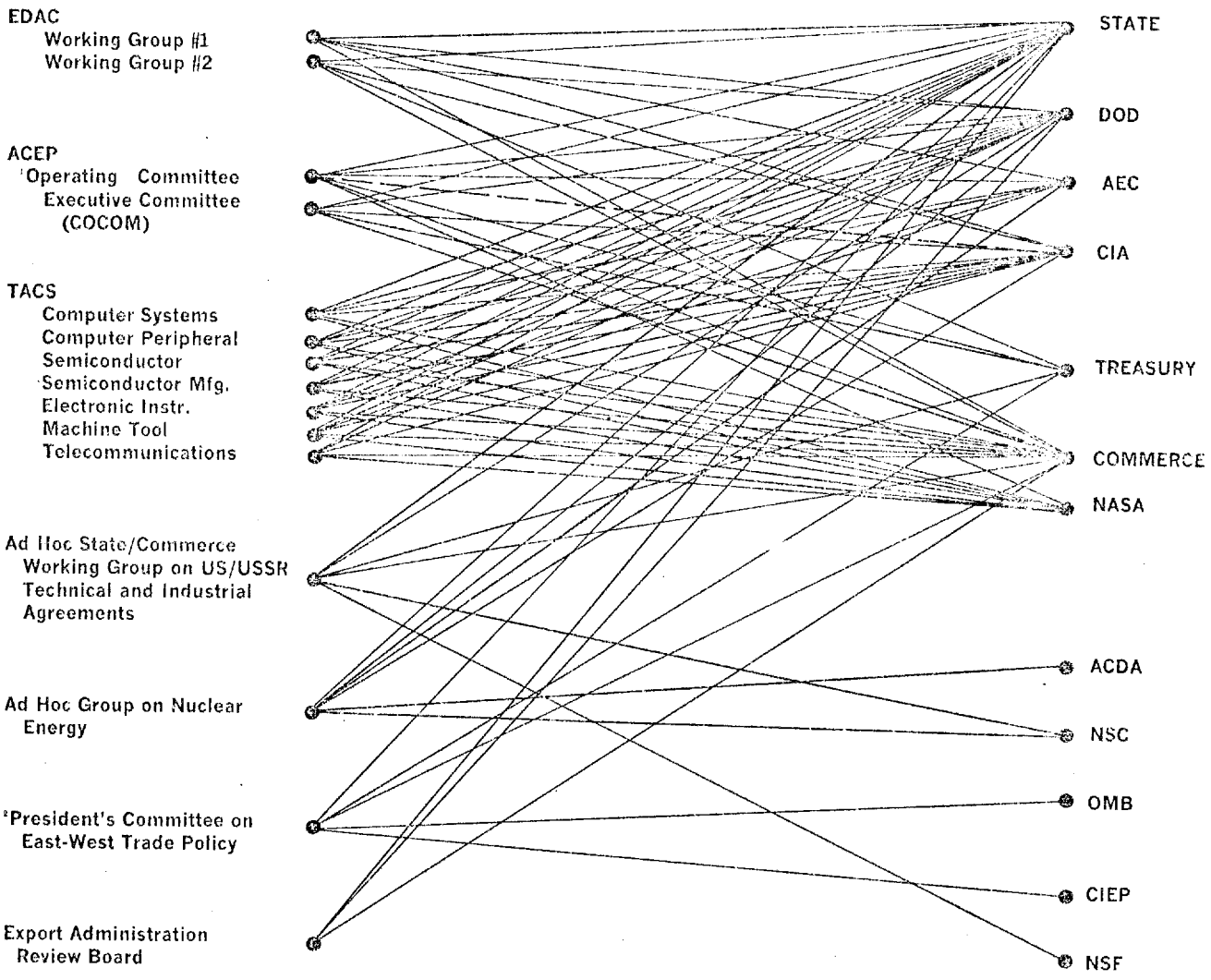
V. Interagency Coordination—
Mechanisms to Control/Monitor East-West Trade



[1]Other members include Agriculture, Interior, FAA and the Office of Emergency Preparedness.

[2]Other members include Counselor to President for Economic Policy and Special Representative for Trade Negotiations.

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Administration of Classified Technology and Visitor Control, Counterintelligence and Internal Security

The visa office of the Department of State, the Interdepartmental Committee on Internal Security (ICIS), the Defense Industrial Security Program of the Department of Defense, and the FBI are responsible for the national security aspects of US exchanges and commercial contacts with the USSR, East Europe, and the PRC.

I. The Department of State

The Visa Office (VO) of the Bureau of Security and Consular Affairs (SCA) and consuls abroad are responsible under the provisions of the Immigration and Nationality Act (INA) for determining the eligibility of aliens for visas. Posts submit Soviet visitor applications to the State Department, which requests security name checks from Washington intelligence agencies. The applications of Soviet commercial visitors are required to include the alien's itinerary. Since the majority of Soviet applicants, are presumed ineligible under Section 212 (a) (28) (Communist party membership and/or affiliation) of the INA, VO, with the responsible desk officer's concurrence, requests waivers of ineligibility from the Immigration and Naturalization Service (INS) in Washington.

Eastern European visitor applications are submitted to the Department for prior approval only when the applicants are engaged in S&T matters or military related programs. Posts may request Washington name checks. If the alien is ineligible under 212 (a) (28), the post requests a waiver from an INS office abroad (usually Vienna) or the Department. New visa procedures to tighten visa controls for EE commercial visitors are also being considered.

Visas are not issued to official PRC visitors without prior Department approval and a Washington name check.

II. The Interdepartmental Committee on Internal Security (ICIS)

The procedures for entry to and exit from the US for exchange, conference, student, and tourist visitors from the USSR, Eastern European countries, the PRC, and other communist nations are the responsibility of the ICIS. Instructions published by ICIS subcommittee II, "Security Measures Applicable to Nationals of Communist-Controlled Countries Entering the US as Non-Immigrant Aliens," dated 5 June 1969 pertain. Much of the ICIS system has been revised, including de-Splexing (removal of special exchange procedures) on all East European exchange visitors except those involved in S&T and military related matters.

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III. The Defense Industrial Security Program

Under the Defense Industrial Security Program, the user agencies (Office of the Secretary of Defense, Department of Defense agencies, the Departments of the Army, Navy, and Air Force) and the cleared defense contractors work together through a complex system of individual Defense Security Agreements, Facility Security Clearance, Personnel Security Clearances, and Contract Security Classification specifications at the task of controlling and safeguarding classified defense information. Security measures are established by individual Standard Practice Procedures for each facility according to the rules of the Industrial Security Manual. This system has evolved of necessity, because of the very large number of cleared facilities (11,513) and the enormous number of cleared individuals (approximately 1,210,949).

IV. The Federal Bureau of Investigation

FBI procedures for handling commercial and special exchange visitors from the USSR, East Europe, and the PRC involve name tracing visa applicants for possible intelligence connections and derogatory information. A visitor's itinerary is furnished to appropriate FBI field divisions to alert them to the presence of Soviet, East European, or PRC personnel and to stimulate prompt action when visitors, particularly SPLEX (exchange) visitors are designated as official guests of the US Government under the Protection of Foreign Officials Statute. The FBI investigates Soviet, East European, and PRC visitors whenever information is developed before or after arrival indicating intelligence activities. Numbers involved and other investigative priorities preclude even notification to FBI field divisions of the itineraries or presence of East European visitors unless they are identified as having intelligence affiliation.

> "The Department of State notifies the FBI of name lists and itineraries of PRC commercial and exchange visitors. The members of government-facilitated PRC exchange delegations to the US so far have been designated 'Official Guests' of the US for the purposes of PL 92-539."

V. U.S. Reciprocal Travel Regulations

After several unsuccessful attempts to induce the Soviet Government to lift restrictions dating from 1941 on American travel in the USSR, the U.S. Government established in 1953 reciprocal regulations for Soviet travel in the U.S. As presently constituted, our travel regulations close one quarter of the continental U.S. to Soviet travel and require two days notification for travel to open areas.

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The travel controls do serve U.S. internal security, since the notification requirement is of value to the FBI and the selection of some closed areas reflects the presence of military installations. (Of course, most sensitive defense-related industrial or research facilities are located in open areas.) However, the controls are primarily intended to provide the Soviet authorities with incentive to moderate both the form and administration of their own controls.

The U.S. regulations are administered by the Department of State, whose desk officers coordinate exception requests with the Defense Intelligence Agency. DIA, in turn, coordinates the requests with the military service which, from a security standpoint, has primary interest in the geographical area involved. The information derived from travel clearance is passed on to the FBI; in the case of Soviet commercial visitors, the IGE also receives the travel clearance information.

The travel controls are a convenient and effective vehicle on which to base reciprocity or quid pro quo bargaining. Since they are unwilling to grant exception requests to Americans, official Soviet Agencies - such as the Ministry of Foreign Affairs and the Embassy in Washington - are obliged to budget their exception requests. U.S. refusals have been rare. Conflicts over the controls usually center around requests for their waiver by U.S. hosts in cases where Soviets have declined to request exceptions. Under COMVIS procedures, the Department of State has since August been requiring the Soviet Ministry of Foreign Affairs to submit exception requests for Soviet commercial visitors traveling directly from the USSR to the U.S.

Soviet exchange visitors have been exempted from the travel regulations since 1962. However, the professional travel of Soviet exchange visitors must be approved by the State Department and itineraries reviewed to ensure reciprocity and protection of security interests.

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Review and Assessment of US Exchanges and Commercial Contacts

The mechanisms currently used to assess the US-USSR Exchanges and Commercial Contacts are the NSC Under Secretaries Committee, the President's Science Advisor*, the Military Implications of Technology Transfer (MITT) subcommittee of the USIB Scientific Intelligence Committee, two task forces of the Defense Science Board, DoD, the National Academy of Sciences' Board on International Scientific Exchanges, and specific CIA analytical studies. There are no special mechanisms to assess US exchanges and commercial contacts with East Europe and the PRC at this time. (See diagram illustrating Interagency Coordination of the Assessment Process.)

I. The NSC Under Secretaries Committee

The NSC Under Secretaries Committee assigned to the Assistant Secretary of State for European Affairs overall responsibility for monitoring the US-USSR specialized cooperative agreements, requiring him to draft quarterly reports for the President on their implementation and to bring to the Committee's attention any questions requiring Committee action. The Committee, on occasion, requests ad hoc (sensitive) evaluations on technological loss. The quarterly reports describe recent events of political, administrative, commercial or scientific-technological significance.

II. The Steering Group of the National Science Foundation

The President's Science Advisor* was directed by the NSC Under Secretaries Committee "to undertake periodic review and overall technical assessment of progress in US-USSR research and development cooperation with respect to overall US science and technology policies and priorities." The Science Advisor has designated a Steering Group, consisting of representatives from the Department of State, National Science Foundation, and Central Intelligence Agency, to direct and oversee this study. Their review and technical assessment covers all US-USSR cooperative activities under the specialized agreements concluded at the 1972, 1973, and 1974 Summit meetings as well as scientific and technical agreements under Article IV of the 1972 Science and Technology Agreement (i.e., separate agreements between private US firms and the USSR State Committee for Science and Technology and other Soviet technical ministries). Strictly commercial contacts are not covered by this assessment. The Steering Group is focusing initially on the scientific and technological aspects of the 11 specialized agreements and is scheduled to produce a report in early 1975. It has not yet addressed the Article IV agreements nor is it considering political or economic factors.

* Dr. H. Guyford Stever: President's Science Advisor and Director, National Science Foundation.

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III. The Ad Hoc Working Group on the Military Implications of Technology Transfer (MITT)

The ad hoc MITT Working Group of the USIB Scientific Intelligence Committee was charged with producing a study on US-USSR military-related technology transfer to be completed by Fall 1974 so as to be available during the review of the COCOM list scheduled for this year. The Working Group is focusing on aircraft, computers, air traffic control systems, and semiconductors.

IV. The Defense Science Board, DoD

The Defense Science Board is composed of members appointed from civilian life, on the basis of pre-eminence in their fields, by the Secretary of Defense upon recommendation of the Director of Defense Research and Engineering. The Board advises the Secretary of Defense on scientific and technical matters of interest to the Department of Defense including overall research and engineering requirements, long range planning of weapons systems, and judgments on the desirable scope and effectiveness of these systems to provide adequate defense. The Board sets up temporary ad hoc task forces on specific subjects as requested by the Director of Defense Research and Engineering. Currently there are seven task forces at work, but only two impinge on exchanges: the Net Technical Assessment task force, chaired by Dr. Charles M. Herzfeld of ITT, is involved in threat analysis; another concerned with "The Export of US Technology; Implications to US Defense," is chaired by J. Fred Bucy, Texas Instruments, Inc., and is involved in studying technology loss. There are several new subjects under consideration by the Defense Science Board for task force review and some may involve subjects related to the overall exchange problem.

V. NAS Board on International Scientific Exchanges

The Board is composed of US academicians who review and evaluate the NAS exchange programs with the Soviet Academy of Sciences. It also reviews the beginning program of exchanges between the PRC Scientific and Technical Association and the NAS based Committee for Scholarly Communication with the People's Republic of China. There is no organized NAS program to review East European exchanges with the NAS or with the US National Science Foundation.

VI. Other

A. The Federal Council for Science and Technology of the National Science Foundation is no longer involved in the assessment of exchanges.

B. The President's Foreign Intelligence Advisory Board (PFIAB) is aware of the need for an overall net assessment of US-USSR Exchanges and Commercial Contacts but has not yet decided on how to conduct such an assessment. There has been much informal discussion of this problem among the PFIAB membership. (See remarks of Mr. Leo Cherne during 3-4 October 1974 meeting of PFIAB.)

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C. The role of the ad hoc Intelligence Advisory Group on Exchanges is limited to the development of intelligence opinion, advice and background data pertaining to individual exchange projects, working groups and areas.

D. The Defense Advanced Research Projects Agency administers several contracts with private organizations for broad studies of the issues pertinent to the transfer of advanced technology to the USSR.

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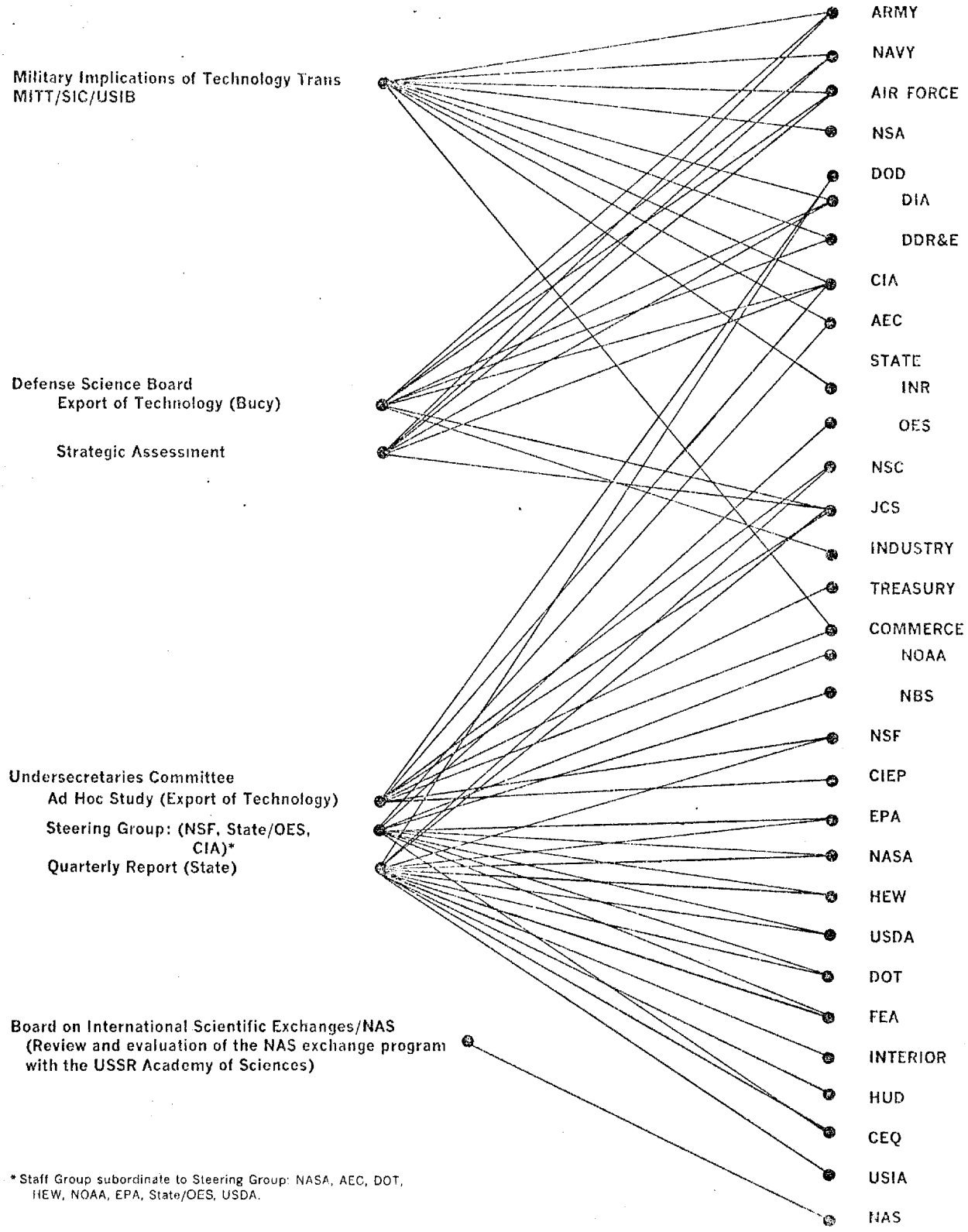
VIII.
Interagency Coordination
ASSESSMENT



* Staff Group subordinate to Steering Group: NASA, AEC, DOT, HEW, NOAA, EPA, State/OES, USDA.

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	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Remarks:

The attached responds to Admiral Murphy's request for information about Intelligence Community activities relative to technology transfer.

ADM: I think that something like this should be briefed at NFIB. At a minimum, it should be sent to MR Bush for info.

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FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.	DATE
Chief, PAID/OPEI	14 Sep.

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